

Message Text

CONFIDENTIAL

PAGE 01 OTTAWA 10627 01 OF 02 292229Z
ACTION DOE-11

INFO OCT-01 SOE-02 NSC-05 EUR-12 EB-08 ISO-00 ONY-00
/039 W

-----035148 292315Z /14

P 292211Z DEC 77

FM AMEMBASSY OTTAWA

TO SECSTATE WASHDC PRIORITY 5806

C O N F I D E N T I A L SECTION 01 OF 02 OTTAWA 10627

LIMDIS

DISTRIBUTE ONLY TO: DOE FOR SECRETARY SCHLESINGER,
BERGHOLD, GOLDMAN; VICE PRESIDENT'S OFFICE FOR CLIFT;
STATE FOR EUR/CAN AND EB

FOR SECRETARY SCHLESINGER FROM ENDERS

E.O. 11652: GDS

TAGS: ENRG, CA

SUBJECT: ENERGY ISSUES FOR VICE PRESIDENT'S VISIT TO
CANADA

1. FURTHER TO OUR PHONE CONVERSATION DECEMBER 28, HERE
IS THE CURRENT STANDING OF THE CANADIAN ENERGY ISSUES
AND PROPOSALS FOR HOW TO ADVANCE THEM DURING THE VICE
PRESIDENT'S VISIT.

2. ADDITIONAL GAS SALES. INDUSTRY PRESSURE TO SELL THE
NOW UNCOMMITTED ALBERTA RESERVES (ESTIMATES OF AVAIL-
ABILITY IN THE 1978-1985 PERIOD RUN UP TO ELEVEN TRILLION
CUBIC FEET) CONTINUES HIGH. IN ADDITION TO EASING US
SUPPLY PROBLEMS DURING THAT PERIOD, ADDITIONAL GAS EXPORTS
WOULD PROVIDE FINANCIAL BASIS FOR PREBUILDING SOUTHERN
PORTION OF ALCAN LINE, THUS EASING THE LINE'S LONG-TERM
FINANCING PROBLEM. THE TWO PRINCIPAL (AND TO SOME
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 OTTAWA 10627 01 OF 02 292229Z

DEGREE COMPLICATING) OBSTACLES TO ADDITIONAL EXPORTS
REMAIN EDMONTON'S DESIRE TO TRADE ITS AUTHORIZATION FOR
TRADE CONCESSIONS OF INTEREST TO THE PROVINCE, AND
OTTAWA'S INTEREST IN ASSURING LONG-TERM SUPPLY TO THE
TORONTO AREA AND POSSIBLY EXTENDING GAS SUPPLY INTO
QUEBEC AND THE MARITIMES.

3. CANADIAN SHIPPERS WILL SHORTLY APPLY TO ALBERTA ENERGY RESOURCE CONSERVATION BOARD (AERCB) FOR PERMIT TO EXPORT. BOARD HAS FIRM INSTRUCTIONS FROM ALBERTA PREMIER LOUGHEED NOT TO PERMIT INCREASED EXPORTS UNTIL ALBERTA GOVERNMENT HAS ACHIEVED SOME SATISFACTION ON TRADE ISSUES. WHEN AND AS AERCB GRANTS PERMIT, SHIPPERS WOULD APPLY TO THE NATIONAL ENERGY BOARD IN OTTAWA, WHICH WILL BE RESPONSIVE TO GOVERNMENT GUIDANCE IN ITS DECISION.

4. OUR PLAY SHOULD BE TO TRY TO REMOVE OBSTACLES TO SUCCESS OF THIS REGULATORY PROCESS. IN EDMONTON THE VICE PRESIDENT SHOULD BE ABLE TO ASSURE LOUGHEED THAT THE UNITED STATES WILL TABLE A FULL OFFER ON PETROCHEMICAL AND BEEF TARIFFS OF INTEREST TO ALBERTA IN GENEVA ON JANUARY 20 (PETROCHEMICALS ARE: ETHYLENE DICHLORIDE, VINYL CHLORIDE, PVC, CHLORINE, CAUSTIC SODA, ETHYLENE GLYCOL, ETHYLENE OXIDE AND HIGH AND LOW DENSITY POLY-ETHYLENE; BEEF ITEMS ARE: BOXED BEEF AND LIVE CATTLE), WHILE NOTING THAT NEGOTIATIONS MUST PROCEED IN A MULTI-LATERAL FORUM AND WITH THE CANADIAN FEDERAL GOVERNMENT, AND THAT CANADA IS NOT THE PRINCIPAL SUPPLIER FOR ALL OF THOSE ITEMS. THE VICE PRESIDENT SHOULD MAKE THE POINT THAT WE WILL TRY TO MAINTAIN THESE CONCESSIONS THROUGHOUT THE BARGAINING, PROVIDED CANADA SUBSCRIBES TO THE OVERALL TARIFF CUTTING FORMULA AND TABLES A SUBSTANTIAL

CONFIDENTIAL

PAGE 03 OTTAWA 10627 01 OF 02 292229Z

OFFER OF ITS OWN. THE VICE PRESIDENT SHOULD ALSO NOTE THAT WE WILL BE PREPARED TO LOOK AT RECIPROCAL RELAXATION OF QUOTA RESTRICTIONS ON BEEF IMPORTS -- ONCE AGAIN WITH THE FEDERAL GOVERNMENT.

5. TO DEAL WITH THE POLITICS OF TORONTO AND FUTURE EASTERN CANADA CONSUMERS (THE ADDITIONAL EXPORTS HAVE FREQUENTLY BEEN TERMED POTENTIAL "GAS SWAPS" BY BOTH ALBERTA AND FEDERAL POLITICIANS), THE VICE PRESIDENT SHOULD MAKE CLEAR THAT WE ARE NOT INTERESTED IN MAKING HARD TRADE-OFFS BOTH IN OTTAWA AND EDMONTON. THE VICE PRESIDENT SHOULD MAKE IT CLEAR WE ARE NOT INTERESTED IN ADDITIONAL GAS EXPORTS IF THE CONDITION IS AN OPERATIONAL GAS SWAP CONTRACT. WE DO NOT BELIEVE ANY U.S. COMPANY WOULD BE INTERESTED IN SUCH A CONTRACT. MOREOVER, IT WOULD INVOLVE THREE KINDS OF PAYMENT (PURCHASE PRICE, TRADE CONCESSIONS AND THE SWAP), WHICH IS MORE THAN WE ARE PREPARED TO GIVE. ON THE OTHER HAND (AND THIS WOULD HELP RELIEVE SOME OF THE POLITICAL PRESSURES GENERATED BY THE WIDESPREAD USE OF THE TERM "GAS SWAPS") THE U.S. WOULD BE PREPARED TO LICENSE FOR EXPORT AN EQUIVALENT QUANTITY OF GAS IN THE FUTURE, PROVIDED A

WILLING BUYER AND SELLER COULD BE FOUND. THIS FORMULA WOULD AVOID PREJUDICING THE FUTURE U.S. SUPPLY SITUATION, SINCE IT WOULD HAVE COME INTO EFFECT ONLY IF THE FREE MARKET MADE POSSIBLE A GAS EXPORT.

6. FINALLY, IF AGREEMENT CAN BE REACHED IN OTTAWA ON THE ABOVE, THE VICE PRESIDENT SHOULD SEEK AGREEMENT TO EXPEDITE REGULATORY PROCESSES OF THE EXPORT REQUESTS WHEN THEY ARE SUBMITTED, SO THAT THE PREBUILDING OF THE LINE COULD BEGIN AS SOON AS POSSIBLE, AND MAXIMUM VOLUMES BE

CONFIDENTIAL

NNN

CONFIDENTIAL

PAGE 01 OTTAWA 10627 02 OF 02 292234Z
ACTION DOE-11

INFO OCT-01 SOE-02 ISO-00 ONY-00 NSC-05 EUR-08 EB-04
/031 W

-----035169 292320Z /14

P 292211Z DEC 77

FM AMEMBASSY OTTAWA

TO SECSTATE WASHDC PRIORITY 5807

C O N F I D E N T I A L SECTION 02 OF 02 OTTAWA 10627

LIMDIS

AVAILABLE TO U.S. CONSUMERS BEGINNING NEXT WINTER.

7. OIL TRANSPORT. ATTITUDES TOWARDS THE KITIMAT OIL PORT PROPOSAL REMAIN VERY MIXED. AT THE FEDERAL LEVEL, THERE IS SOME POSITIVE INTEREST: CANADA WILL HAVE TO BUILD NEW OIL IMPORT FACILITIES ON EITHER THE EAST OR WEST COAST BY THE MID-1980'S IN ORDER TO SERVICE AN INCREASING OIL DEFICIT, AND THE FEDS RECOGNIZE THEY COULD HAVE AN INTEREST IN DEVELOPING JOINT FACILITIES WITH THE STATES. OTTAWA WILL ALSO WISH TO BE RESPONSIVE, TO THE DEGREE IT CAN BE, TO U.S. REQUIREMENTS. ON THE OTHER HAND, CANADA DOESN'T HAVE TO FACE UP TO THE OIL IMPORT ISSUE AS EARLY AS WE HAVE TO FACE UP TO THE ALASKA OIL TRANSPORT ISSUE, AND NOBODY AROUND HERE WANTS TO GET INTO THE BRUISING INTERPROVINCIAL FIGHT AS TO WHO IS GOING TO BE CUT OFF THE REMAINING SECURE ALBERTA OIL AND PUT ON IMPORTS. BRITISH COLUMBIA OPINION REMAINS OPPOSED TO KITIMAT ON ENVIRONMENTAL AND FISHING GROUNDS, AND BECAUSE THE BC GOVERNMENT DOESN'T WANT TO SET ITSELF UP TO BE CUT OFF FROM ALBERTA CRUDE BY BUILDING AN IMPORT FACILITY. WITH CHERRY POINT (THE OPPOSITION THE BC

GOVERNMENT FEARED MOST) SAFELY DISPOSED OF, BRITISH COLUMBIA WOULD BE QUITE CONTENT TO SEE PORT ANGELES BUILT. THE KITIMAT COALITION HAS NO APPLICATION TO
CONFIDENTIAL

CONFIDENTIAL

PAGE 02 OTTAWA 10627 02 OF 02 292234Z

BUILD A LINE CURRENTLY PENDING, BUT IS EXPECTED TO INTRODUCE ONE IN JANUARY.

8. IN THIS SITUATION, A DEFINITIVE CANADIAN RESPONSE ON KITIMAT DURING THE VICE PRESIDENT'S VISIT CANNOT BE EXPECTED. BUT THE VICE PRESIDENT SHOULD SEEK OTTAWA'S COMMITMENT TO COMPLETE ITS REGULATORY AND DECISION-MAKING PROCESS DURING 1978, CONSISTENT WITH OUR PROPOSED PROCESS LEGISLATION. IN ADDITION, HE SHOULD PUT DOWN ON THE TABLE TWO ADDITIONAL CARDS IN WHICH THE CANADIANS HAVE EXPRESSED INTEREST: OIL STORAGE IN NEWFOUNDLAND, AND POSSIBLY CAPE BRETON, AND USE OF SURPLUS MARITIME REFINING CAPACITY. ALTHOUGH REGIONAL TRADE-OFFS ARE DIFFICULT IN CANADA, OTTAWA'S INTEREST IN BOTH CARDS MAY BE SUFFICIENT TO OBTAIN A RENEWED INTEREST IN KITIMAT. EFFECTIVE US GO-AHEAD ON BOTH OIL STORAGE AND USE OF SURPLUS REFINING CAPACITY SHOULD BE CONTINGENT ON CANADIAN DECISION ON KITIMAT.

9. NORTHERN TIER. SUGGEST WE MAKE NO FURTHER PROPOSALS ON SUPPLY OF THE NORTHERN TIER REFINERIES (WHICH LOOK LIKE THEY CAN GET THROUGH THIS WINTER ALRIGHT), BUT PUT THE EMPHASIS ON THE LONG-TERM SOLUTION THROUGH KITIMAT.

10. IN SITU R AND D. BOTH CANADIAN FEDERAL AND PROVINCIAL ENERGY AUTHORITIES HAVE EXPRESSED INTEREST IN THIS, WHICH COULD HAVE IMPORTANT PRACTICAL SAVINGS (THERE APPEARS TO BE A SIGNIFICANT OVERLAP BETWEEN TAR SANDS AND OIL SHALE IN SITU RECOVERY PROCESSES), AND WHICH HAS VERY USEFUL SYMBOLISM. UNDERSTAND THAT DOE OFFICIALS ARE NOW EXAMINING THE POTENTIAL FOR JOINT FINANCING OF SIGNIFICANT AND MUTUALLY BENEFICIAL WORK. ENDERS
CONFIDENTIAL

CONFIDENTIAL

PAGE 03 OTTAWA 10627 02 OF 02 292234Z

CONFIDENTIAL

NNN

Message Attributes

Automatic Decaptioning: Z
Capture Date: 01-Jan-1994 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: VICE PRESIDENT, PRESIDENT, ENERGY, VISITS
Control Number: n/a
Copy: SINGLE
Sent Date: 29-Dec-1977 12:00:00 am
Decaption Date: 22 May 2009
Decaption Note: 25 YEAR REVIEW
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1977OTTAWA10627
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Expiration:
Film Number: D780002-0078
Format: TEL
From: OTTAWA
Handling Restrictions:
Image Path:
ISecure: 1
Legacy Key: link1977/newtext/t1977128/aaaaafx.tel
Line Count: 218
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: 9b93b708-c288-dd11-92da-001cc4696bcc
Office: ACTION DOE
Original Classification: CONFIDENTIAL
Original Handling Restrictions: ONLY
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: ONLY
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 27-Dec-2004 12:00:00 am
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 315393
Secure: OPEN
Status: NATIVE
Subject: ENERGY ISSUES FOR VICE PRESIDENT'S VISIT TO CANADA
TAGS: ENRG, CA, US, (MONDALE, WALTER F)
To: STATE
Type: TE
vdkgvwkey: odhc://SAS/SAS.dbo.SAS_Docs/9b93b708-c288-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009